

Taxing situation is rising in R.I.

The Ocean State ranks sixth nationwide in property taxes, and its state-and-local tax burden is higher than Connecticut and Massachusetts.

BY NEIL DOWNING
JOURNAL STAFF WRITER

Rhode Island has one of the nation's highest tax burdens — and a big reason for that is local property taxes, a new study shows.

Based on the overall state-and-local tax burden, Rhode Island ranks seventh highest nationwide, the study says.

When it comes to property taxes, Rhode Island's comparative tax burden is even higher, ranking the state sixth nationwide, the study shows.

The findings are part of a study to be issued today by the Rhode Island Public Expenditure Council (RIPEC), a business-backed public policy group which monitors the state's finances.

The annual report — "How Rhode Island Compares" — shows that Rhode Island's overall state-and-local tax burden has increased in the last 10 years, while that of its two neighboring states —

SEE TAXES, E2

TAX BURDEN

The burden of state and local tax collections per \$1,000 of personal income in Rhode Island has worsened while those in neighboring states have improved.

2005

1995

	Taxes	Rank	Taxes	Rank
R.I.	\$122.68	7	\$117.32	14
Conn.	119.17	11	122.64	7
Mass.	107.31	34	112.90	23
U.S.	112.84	-	113.23	-

SOURCE: Rhode Island Public Expenditure Council

Taxes

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Connecticut and Massachusetts — has improved, said Gary S. Sasse, RIPEC's executive director. For example:

■ In 1995, Rhode Island had the 14th highest tax burden; now it has the 7th highest.

■ In 1995, Massachusetts ranked 23rd; now it's ranked 34th.

■ In 1995, Connecticut ranked 7th; now it ranks 11th.

In other words, Rhode Island's state-and-local tax burden has grown in the past decade, while the tax burden in Connecticut and Massachusetts has declined.

"Rhode Island is going in the opposite direction" compared with its two neighboring states, Sasse said. "Our neighbors are doing better in making their state more tax-competitive," he said.

For every \$1,000 of personal income, state and local governments in Rhode Island collect about \$123 in taxes, while Connecticut collects about \$119, and Massachusetts about \$107, the study shows.

A key factor is Rhode Island's high property taxes. It has a higher property-tax burden than its neighboring states, but has a lower income-tax burden than its neighboring states, the report shows.

(The report also looked at sales taxes: Rhode Island, Connecticut and Massachusetts all rank among the 10 states with the lowest sales-tax burden.)

The report shows that "We're overly dependent on the property tax," Sasse said. Local property taxes, combined, represent 40 percent of the Rhode Island's overall state and local tax burden, he said.

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Governor Carcieri's spokesman, Jeff Neal, said of the report's findings, "This is exactly the problem he's been warning of for well over four years."

"The governor believes we need to create a favorable tax climate so we can grow jobs and help Rhode Island families. Unfortunately, over the last 10 years, we've gone in the wrong direction," Neal said.

"We made some good strides last year" by, for example, introducing the option of a flat income-tax rate. But the General Assembly "decided to backslide" this year by, for example, freezing capital-gains tax rates instead of eliminating them, he said.

The General Assembly also rejected Carcieri's call for a 3-percent increase in state education aid to cities and towns, a measure that the governor viewed as property tax relief, Neal said.

State Rep. Steven M. Costantino, D-Providence, head of the House Finance Committee, said that Carcieri's positions are inconsistent. "He wants to spend more, but at the same time, he's complaining that taxes are too high."

The General Assembly did not go along with Carcieri's proposed 3-percent increase in local aid because, "Under difficult times, states cannot send as much aid to cities and towns as they'd like to." Besides, Costantino said, "When we send aid, we'd like it to be significant enough to make a difference, and I'm not convinced that 3 percent" would have made a significant impact.

He also said that none of the changes made in last year's General Assembly session or this year's session are reflected in the RIPEC rankings, which rely on older data.

Nevertheless, Costantino acknowledged that the Rhode Island ranking is "not good." He said the state needs to focus more on job growth and on tackling next year's budget problems.

"It seems to me we should be working on solutions now . . . rather than complaining about what was done," Costantino said.

Sasse said that Rhode Island last year put in place a law that will effectively limit the growth in local property tax levies over time. That legislation was "urgently needed," he said.

However, Rhode Island needs to do more to reduce its local property-tax burden, he said. For example, leaders should look more closely at how efficiently money is spent by cities and towns.

Leaders should consider such steps as the consolidation of certain local government functions, and additional cost-sharing among cities and towns, Sasse said.

State and local leaders also must work together to reform the way Rhode Island finances local education to reduce the local property-tax burden, he said.

The RIPEC study is based in part on figures for 2005, the latest period for which comparative data for all 50 states were available, the group said.

The study is to be made publicly available today on RIPEC's Web site: www.ripec.org

ndowning@projo.com / (401) 277-7484

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"He wants to spend more, but at the same time, he's complaining that taxes are too high."

REP. STEVEN M. COSTANTINO,

reacting to Governor Carcieri's plan for an increase in state education aid to cities and towns